

**THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**DOCKET NO. 2021-153-S**

IN RE: Application of Palmetto Wastewater	)	
Reclamation, Inc. for an Adjustment of	)	<b>REBUTTAL TESTIMONY</b>
Rates and Charges	)	<b>OF</b>
	)	<b>DONALD H. BURKETT</b>
	)	

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Donald H. Burkett, CPA. My principal place of business is 3101 Sunset  
3 Boulevard, West Columbia, South Carolina 29171.

4 **Q. ARE YOU THE SAME DONALD BURKETT WHO PREVIOUSLY FILED**  
5 **DIRECT TESTIMONY IN THIS CASE?**

6 A. Yes, I am.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my rebuttal testimony is to address certain adjustments recommended by  
9 Lafayette Morgan in his direct testimony on behalf of the Department of Consumer Affairs  
10 (“DCA”) and certain adjustments recommended by Christina Seale of the Office of  
11 Regulatory Staff (“ORS”). I also provide an update on the Company’s rate case expenses  
12 and other material known expense adjustments. If I do not respond to each and every issue  
13 in DCA or ORS testimony, that should not be understood to imply agreement with them.

1   **Q.   PLEASE SUMMARIZE THE RECOMMENDATIONS OF DCA WITNESS**  
2       **MORGAN RELATED TO ACQUISITION-RELATED COSTS AND EMPLOYEE**  
3       **BENEFITS COSTS.**

4   A.   DCA witness Morgan asserts that the Company included in its application one-time,  
5       acquisition-related costs resulting in a recommended adjustment to remove \$62,113 of  
6       shared benefit costs (Morgan prefiled direct, page 12, lines 1-2, 8). Witness Morgan also  
7       recommends an adjustment to employee benefits expense based on a three-year average.

8   **Q.   HOW DO YOU RESPOND TO WITNESS MORGAN'S RECOMMENDATION**  
9       **REGARDING ACQUISITION-RELATED COSTS.**

10 A.   Witness Morgan's assertion that all one-time, acquisition-related costs were not already  
11       removed from PWR's application is incorrect; his adjustment results in double removal of  
12       the cost amounts. Exhibit 7 of witness Morgan's testimony is a copy of the Company's  
13       detail supporting the Company's proposed allocated benefit of shared costs adjustment. In  
14       his misunderstanding of this calculation, he overlooks the formula located in cell I-10635  
15       of the spreadsheet, which removes the costs in question, as well as several other costs  
16       identified through the Company's prudent consideration.

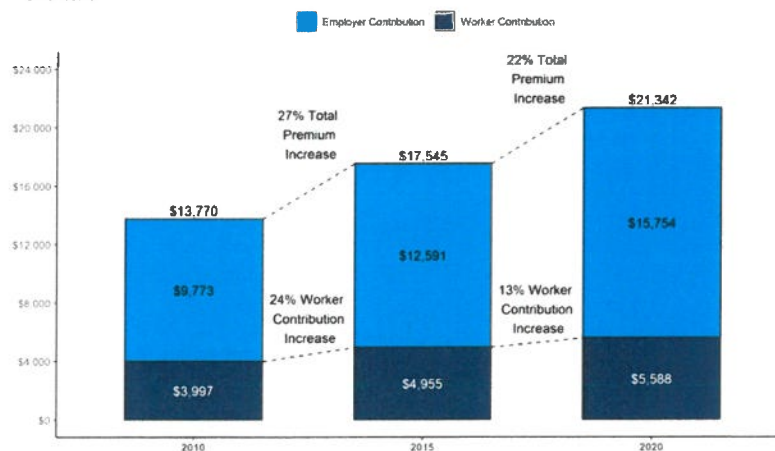
17 **Q.   HOW DO YOU RESPOND TO WITNESS MORGAN'S RECOMMENDATION**  
18       **REGARDING EMPLOYEE BENEFITS COSTS?**

19 A.   Witness Morgan's recommendation to base recovery of employee benefits cost on a  
20       historical average is inappropriate for multiple reasons. First, the only support he provides  
21       for his recommendation are vague statements that "the aggregated shared services costs  
22       presented by the Company does not portray a reasonable level of allocated costs" and "the

employee benefits expense presented by the Company may be overstated” (Morgan prefiled direct, page 13, lines 1-3). Absent any specific finding with respect to the reasonableness of the test year costs, the Commission should reject this adjustment.

The recommended adjustment also implies that the Company does not have the right to recover known and measurable employee benefits costs and should instead only recover historical costs which are up-to-three years stale and no longer relevant. It is commonly understood in the industry that costs of employee benefits such as health insurance typically experience annual increases. According to the KFF 2020 Employer Health Benefits Survey ([kff.org/report-section/ebhs-2020-summary-of-findings](https://kff.org/report-section/ebhs-2020-summary-of-findings)), “The average premium for family [medical] coverage has increased 22% over the last five years and 55% over the last ten years.” The figure below shows the trend of how benefits costs have risen steeply over the past 10 years and exemplifies why it would be inherently unfair to use a historical average rather than actuals adjusted for known and measurables.

**Figure A**  
Average Annual Worker and Employer Premium Contributions for Family Coverage, 2010, 2015, and 2020



SOURCE: KFF Employer Health Benefits Survey, 2020; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010 and 2015

1           The Company also takes exception to witness Morgan's recommendation related  
2           to employee benefits costs because it evidences inconsistency in the treatment of costs.  
3           The Company discontinued its third-party operator and replaced those services with  
4           internal employees. In its application, PWR proposed to remove the third-party costs and  
5           annualize the added internal employee costs. Witness Morgan doesn't dispute the  
6           exclusion of the discontinued contractor costs but fails to allow for the annualization of  
7           employee benefits costs for the additional employees who replaced the third-part  
8           contractors. This treatment of costs unfairly penalizes the Company for making an  
9           operational change that is ultimately beneficial to customers.

10   **Q.   WHAT DO WITNESS SEALE AND WITNESS MORGAN RECOMMEND AS THE**  
11   **APPROPRIATE PERIOD FOR AMORTIZATION OF RATE CASE EXPENSES.**

12   A.   Both witness Seale and witness Morgan recommend the Commission reject the Company's  
13       request to amortize rate case costs over a two-year period and instead adopt a three-year  
14       period.

15   **Q.   HOW DO YOU RESPOND TO WITNESS MORGAN'S AND WITNESS SEALE'S**  
16   **RECOMMENDATIONS?**

17   A.   Witness Seale's recommendation should be rejected by the Commission outright because  
18       it is arbitrary, as she makes no attempt to justify the proposed three-year amortization  
19       period in her direct testimony. Conversely, the Company's requested two-year  
20       amortization period is based on what was approved by the Commission in PWR's most  
21       recent rate case.

1           Witness Morgan proposes his adjustment based on the length of time between the  
2           Company's rate cases; however, his argument is misleading and erroneous. While it's true  
3           that the Company's previous rate case was filed approximately three years prior to the  
4           filing of the current application, the Company didn't begin recovering its previous rate case  
5           expenses until after the Commission's issuance of its final order on May 14, 2019.<sup>1</sup> In  
6           other words, PWR didn't recover all of its reasonably incurred rate case expenses until  
7           May of 2021, nearly three years after many of them were incurred in 2018. Similarly, in  
8           the present case, PWR has incurred reasonable rate case expenses but won't begin to  
9           recover them until after the Commission issues a final order.

10           Unlike ongoing operational costs that are essentially recovered through revenues  
11           concurrently as they're incurred, rate case expenses are not ongoing and are incurred prior  
12           to their recovery through revenues. Because the utility doesn't earn carrying costs on the  
13           funds expended for these costs, elongating the time until such costs are recovered denies  
14           the Company the opportunity to recover its prudent, reasonable costs in a timely fashion.  
15           PWR reiterates its request for a two-year amortization period based on Commission  
16           precedent, the lack of support for witness Morgan's and witness Seale's recommendations,  
17           the inherent regulatory lag that delays the start of the Company's recovery period, and the  
18           logic of not punitively denying the Company the opportunity to recover its costs in a timely  
19           fashion. Alternatively, the Company recommends the Commission apply an interest or  
20           return factor on the approved rate case costs to compensate the Company for the time value  
21           of money.

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<sup>1</sup> PWR's previous rate change application was filed on November 6, 2018 in Docket No. 2018-82-S.

1 Q. PLEASE PROVIDE AN UPDATE ON THE COMPANY'S RATE CASE  
2 EXPENSES.

3 A. As of September 30, 2021, the Company has incurred \$116,772.06 in costs associated with  
4 this rate case. Details of these costs have been provided periodically in responses and  
5 supplemental responses to Discovery Request No. 2-23 from ORS.

6 Q. ARE THERE ADDITIONAL KNOWN AND MEASURABLE EXPENSE  
7 ADJUSTMENTS THAT SHOULD BE UPDATED AT THIS TIME?

8 A. Yes. In addition to the chemicals expense adjustment 2L described and accepted in ORS  
9 Witness Seale's direct testimony related to sodium bisulfite, the Company should be  
10 entitled to recover an additional \$14,336.72 increase in chemicals expense. The details of  
11 this material increase were provided in a supplemental response to ORS Discovery Request  
12 No. 3-11 and include a 12.5%, or \$12,719.60, based on test year quantities, increase in  
13 sodium hypochlorite costs and an additional \$1,617.12, based on test year quantities,  
14 increase related to bulk sodium bisulfite. The Company was made aware of these increases  
15 to direct operating expense by communications received on September 8, 2021, for an  
16 effective date of September 20, 2021 for increases related to sodium hypochlorite and on  
17 September 13, 2021, for an effective date of October 1, 2021 for additional increases  
18 related to sodium bisulfite. These cost increases are material and known and measurable  
19 and should be included in the Company's revenue requirement. If not allowed inclusion  
20 of these costs in the current case, this prudently incurred expense will not be recovered  
21 until an order is issued in the Company's *subsequent* rate case, potentially resulting in years  
22 of regulatory lag and effectively diluting any allowed return immediately.

1    **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

2    **A.     Yes, it does.**